

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE: §
SHAMBHALA TREATMENT CENTER, LLC § § CASE NO. 23-33463
and § §
CROCKETT PATHWAYS, LLC § § Jointly Administered
§ §
Debtors § § **CHAPTER 11**

**KONSTANTIN SAVVON'S RESPONSE TO THE DEBTORS' CERTIFICATE OF
COMPLIANCE**
(Relates to docket #141)

TO THE HONORABLE EDUARDO V. RODRIGUEZ
CHIEF UNITED STATES BANKRUPTCY JUDGE:

Konstantin Savvon (“Savvon”), files this response to Debtors’ certificate of compliance, and represents as follows:

I. BACKGROUND

1. On October 29, 2021, Shambala purchased 1701 SW Loop 304 for \$3,200,000.
2. On December 1, 2021, Sophie Han (“Han”) and Konstantin Savvon (“Savvon”) signed a Combined Unanimous Written Consent In Lieu of Special Meeting of the Members and the Initial Manager which was dated October 29, 2021. This document established Han and Savvon each as 50% members of Shambala.
3. On April 14, 2022, Steven L. Adams provided an appraisal report of 1701 SW Loop 304. Mr. Adams’s report indicated that the market value of the real estate in “as-is” condition was \$12,250,000.
4. On January 26, 2023, on behalf of Shambala, Savvon entered into a forbearance agreement stop the foreclosure of the subject property.

5. On February 10, 2023, Judge Jim Parsons signed a judgment which increased Han's interest in Shambhala to 60% and reduced Savvon's interest in Shambhala to 40%.

6. On February 27, 2023, Han held a special meeting of members, removed Savvon as manager of Shambhala, and elected herself as manager of Shambhala.

7. On March 3, 2023, Han transferred 1701 SW Loop 304 to Crockett Pathways, LLC for \$6,000,000.

8. On March 9, 2023, the 3rd Judicial District Court in Houston County, TX ordered Han to void and abandon all actions taken by her at the Members Meeting and to void and rescind any and all deeds transferring the real property located at 1701 S.W. Loop 304.

9. On September 5, 2023, Han, without consent from Savvon, commenced cases for both Shambhala Treatment Center, LLC ("Shambhala") and Crockett Pathways, LLC ("Crockett") (collectively the "Debtors").

10. On September 12, 2023, the Court entered an Order for Joint Administration.

11. The § 341 Meeting of Creditors was held and concluded on October 13, 2023.

12. On December 19, 2023, the Court denied the Nunc Pro Tunc Application to Employ Hayes Hunter PC.

13. On December 20, 2023, the Court found that the insurance policy that was provided was a builders insurance policy and did not adequately cover the property.

14. On December 28, 2023, Margaret M. McClure ("McClure") file an application to be employed as counsel for Crockett Pathways LLC. McClure then filed a Certificate of Compliance with the Court.

15. Savvon now files this response to Debtors' certificate of compliance, as the insurance filed with the certificate of compliance is still a builder's policy.

II. RESPONSE

a. The Court's December 20, 2023 Order

16. On December 20, 2023, this Court entered its second Order conditioning the automatic stay under 11 U.S.C. §362(a), which required Debtors to procure, by December 27, 2023, a commercial insurance policy. The Court found that a builder's policy does not adequately protect Wild Frontier's interest in the property:

the Court is not satisfied that the Insurance Policy obtained by the Debtors satisfies this Court's prior order at ECF No. 68, as it is a **builders insurance policy** that does not cover property, fire, or windstorm damage that is not associated with new construction or renovations on the property. This clearly does not adequately protect Wild Frontier's interest in the property, as, for instance, if a wildfire or hurricane destroyed all 26 buildings on the property the current Insurance Policy would not cover the loss.

b. Debtors' Certificate of Insurance

17. On December 27, 2023, Debtors representative, Chong Sophia Han acting pro se for Debtors, filed a Certificate of Compliance with a Certificate of Insurance that was different than what was provided by the insurance agent. The certificate of insurance that was filed is shown below.

A	INLAND MARINE	TYPE OF POLICY
	CAUSES OF LOSS	
	NAMED PERILS	

A	INLAND MARINE	TYPE OF POLICY
	CAUSES OF LOSS	
	NAMED PERILS	

The certificate of insurance from the insurance agent is shown below:

A	INLAND MARINE	TYPE OF POLICY
	CAUSES OF LOSS	
	NAMED PERILS	

A	INLAND MARINE	TYPE OF POLICY
	CAUSES OF LOSS	
	NAMED PERILS	

18. This discrepancy was identified by counsel to Ms. Han and to counsel for the Debtors. However, on December 28, 2023, the same Certificate of Insurance and Certificate of Compliance was filed again with this court.

c. Builder's Policy

19. This Court required the Debtors to obtain insurance sufficient to cover an unexpected loss resulting from property damage, fire, or windstorm damage regardless of if associated with new construction or renovations/repairs. The Court even opined that if a wildfire or hurricane destroyed all 26 buildings on the property the current Insurance Policy would not cover the loss.

20. The Debtors still have not obtained a commercial policy. However, twice the Debtors have file with this Court a certificate of compliance stating, “[s]aid insurance is sufficient to cover an unexpected loss resulting from property damage, fire, or windstorm damage regardless if associated with new construction or renovation/repairs”.

III. CONCLUSION

WHEREFORE, Savvon shows that Debtors are not in compliance with the Court Order and grant such other and further relief as the Court may deem just and proper.

December 29, 2023

Respectfully submitted,

TRAN SINGH LLP

/s/Brendon Singh

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ATTORNEYS FOR SAVVON

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic means via ECF transmission to all Pacer System participants in the bankruptcy cases, on the 29th day of December, 2023